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FLAX CROP INSURANCE FOR 1950

SUMMARY OF MAJOR PROGRAM PROVISIONS

Flax crop insurance provides protection on a commodity coverage basis to the insured against loss of flax while in the field due to unavoidable causes such as drought, flood, hail, wind, insect infestation, etc. The insured is protected each year from the time of seeding to the time of threshing or removal of the flax crop from the field but not later than October 31. Only one application and one policy is needed by a producer for all his operations in a county. In order to avoid the inconvenience of yearly renewal the policy has no termination date and will continue in effect from year to year until canceled by either the insured or the Corporation. For the protection of both the insured and the Corporation, the policy specifies that cancelation by either party must be made by December 31 in order to become effective for the flax crop to be harvested in the following calendar year. If for two consecutive years an insured producer does not seed any flax, his contract will terminate. Notice of any changes in the contract will be mailed to the insured at least 15 days prior to the cancelation date.

The coverages and premiums are both stated in bushels of flax. The indemnity, if any, is first computed in bushels and later converted to dollars. An annual fixed price (determined not later than January 15 preceding harvest, adjusted by counties to reflect transportation differentials and handling charges) will be used in converting both the premiums and indemnities to dollar amounts. There will be only one fixed price in each county.

The major provisions of the commodity insurance program follow:

Establishing Coverages and Rates

The area plan will again be used in establishing coverages and rates. All land in a county where the productivity and risk of loss are relatively the same will be grouped together in one area. Land on which insurance will not be offered is unclassified and includes all land not adapted to the production of flax as well as land on which the risk of growing flax is so great or uncertain that it is impractical or impossible to measure the insurance risk involved. The number of areas per county may vary. An area may be a small tract of land or as large as a county. All land within the same area will have the same coverage and the same premium rate. The areas are to be shown on maps and will be numbered so that after determining the number of the area in which a tract of land is located, reference can be made to the county actuarial table to obtain the applicable coverage and premium rate.

Progressive Coverage

The protection is arranged in progressive amounts and increases as the insured's investment in the crop increases. The coverage per acre will be expressed in three stages depending on whether the acreage is (1) released and seeded to a substitute crop, (2) not harvested and not seeded to a substitute crop, or (3) harvested. The first stage will be approximately 50 percent and the second stage approximately 90 percent of the coverage in the third stage.

Counting Production

In determining whether a loss has occurred on an insurance unit the production will be compared with the coverage. Where the flax acreage is threshed, the actual production is counted. However, in the first and second stages, the production has to be appraised because no flax is threshed. In case of such an appraisal not all of the production is counted. Only that portion of the appraisal in excess of the coverage is counted in the first stage, while in the second stage only that portion of the appraisal is counted which is in excess of the difference in the coverage between the second and third stage.

Quality Protection

If any threshed flax is not eligible for a Commodity Credit Corporation loan because of the quality of the flax or cannot be put in condition for such loan, the number of bushels of poor quality flax will be adjusted to bushels of good flax by dividing the total value of the poor quality flax by the lower of the fixed price or the lowest loan available.

Insured Acreage

Promptly after seeding the insured producer is required to file an acreage report which shows his acreage seeded to flax. The contract covers all insurable acreage (acreage for which coverages are established) seeded to flax in the county, in which the insured has a share, (except such cases as (1) acreage seeded too late to expect to produce a normal crop, (2) acreage not reseeded to flax when it is practicable to reseed.) However, the Corporation reserves the right to limit the insured acreage on any farm to the flax allotment or permitted acreage if such allotments or acreages are established.

Insurance Unit

An insurance unit is the acreage considered in determining a loss. An insured may have one or more insurance units covered by a contract but an insurance unit is not limited to farm boundaries. An insurance unit consists of (a) all the insurable acreage of flax in the county in which the insured has 100 percent interest in the crop at the time of seeding, or (b) all the insurable acreage of flax in the county owned by one person which is operated by the insured as a share tenant at the time of seeding, or (c) all the insurable acreage of flax in the county which is owned by the insured and is rented to one share tenant at the time of seeding. Land rented for cash or for a fixed commodity payment shall be considered to be owned by the lessee.

Premiums

A provision for a graduated reduction of premium on the basis of the size of the acreage is a part of the contract. This will be effective on each insurance unit where the insured acreage is 25 acres or more. The reduction will be one percent where the acreage for the insurance unit is as much as 25 acres and does not exceed 74.9 acres, and an additional one percent reduction for each additional 50 acres or fraction thereof. The maximum reduction will be 20 percent.

A discount of 5 percent will be allowed on any earned annual premium which is paid in full on or before June 30 provided the insured submits his acreage report by that date.

A required reserve figure will be established for each county each year. In any year that the accumulated reserve of premiums over indemnities exceeds the required reserve, the insureds who had a contract during the preceding year will be entitled to a reduction of their current year's premium. This reduction may be as much as 30 percent in some counties.

In signing the application, the applicant executes a note for the premium for each crop year of the contract. If the discount for early payment is not taken the note matures on July 31. A three percent charge for interest will be made on all premium payments not made on or before October 31 following maturity and an additional one percent will be added on the principal amount unpaid at the end of each two calendar month period thereafter.

Collateral Assignment

The applicant may make a collateral assignment against his flax crop insurance policy. The collateral assignment may be used as security in obtaining a bank loan, seed and fertilizer loan or to secure other forms of indebtedness.

Notice of Loss

A notice of damage is to be filed by the insured producer immediately after any material damage to his flax crop has occurred which might cause a loss. In addition the insured will also be required to file a notice of loss upon completion of threshing if a loss is to be claimed. If this notice is not given within 15 days after threshing, the Corporation reserves the right to reject the claim.

Closing Dates

The closing dates for filing applications for flax insurance are March 15 for Kansas and March 31 for all other states.

Minimum Participation

Legislation provides that flax crop insurance shall not be provided in any county unless written applications for insurance on flax are filed, which together with flax contracts in force for the 1950 crop year, cover at least 200 farms or one-third of the farms normally producing flax. Each insurance unit will be counted as one farm in meeting this requirement. The minimum participation requirements established for 1949 will, unless subsequently revised, be applicable to the 1950 flax program.

Rights of Transferee

If the insured transfers all or a part of his insured interest in a flax crop before the beginning of harvest or the time of loss, whichever occurs first, the transferee will be entitled to the benefits of the contract with respect

to the interest so transferred, provided immediately following the transfer he makes suitable arrangements with the Corporation for the payment of any premium with respect to the interest transferred. Where suitable arrangements are made, the transferee and the transferor both will be responsible to the Corporation for the payment of the premium. Any transfer is subject to any collateral assignment made by the original insured. The transferee is not entitled to make a collateral assignment.

